



Challenges *in China*

BASF is the world's leading chemical company with a portfolio starting from crude oil and natural gas reaching to chemicals, plastics, performance products, agricultural products and fine chemicals. The Corporate Engineering unit GI is responsible for the execution of large capital projects within BASF.

With its approximately 600 employees GI executes projects worldwide in the €2 million to €1 billion range. Corporate Engineering's specialty is its function as owner's engineer, which means that GI ensures flexible project implementation and the optimization of operating and investment costs. BASF is active in China in joint ventures and as a wholly foreign owned company. Together with Sinopec the Integrated Production Site in Nanjing has been build with a total investment of US\$ 2.9 billion. The site started up very successful in July 2005. A BASF-project without Chinese partner is the THF/Poly-THF-plant in Caojing with a total invest of approximately US\$ 300 million, which started up successfully in June 2005. The 3rd major investment is the Integrated Isocyanate Project in Caojing, which very successfully started up in August 2006. For all three projects GI worked out a basic engineering package and supervised the work done by contractors in China. To continuously and better understand the Chinese way of design and project execution and the opportunities in the Chinese market a Regional Engineering Unit was established two years ago. China provides a huge opportunity for low-cost equipment, machinery, and low-cost services. Quality and availability of technical goods increase at high pace. BASF watches out that development with their market intelligence tools.

Corporate Engineering is facing two major challenges in China: Intellectual property is still a critical issue. But the situation improves since China joined the WTO. BASF has worldwide the same health, safety and environmental requirements, which makes BASF vulnerable in the market where sometimes market players do not comply with that standards. The way of design and project execution in China and in the western world will be compared and BASF will derive a new synthesized best practice, which takes advantage of Chinese opportunities but maintains the high level of safety and environmental standards.

Dr. Stefan-Robert Deibel
President Corporate Engineering, BASF AG